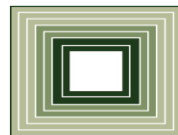


Joint Meeting of the House and Senate
Appropriations Committees on
General Government

Committee and Budget Process Overview



Karen Hammonds-Blanks
February 23, 2021



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Joint Meetings of House & Senate Appropriations Committees
 - Logistics, Protocol & Committee Staff
- Fiscal Research Division
 - Role & Responsibilities
- Budget Process
- Budgets Under Committee Purview

Logistics

- Meet on Tuesday, Wednesday, & Thursday
- Legislative Office Building (LOB)
- Room 423
- 8:30 am



Online Committee Access

Access joint meeting documents at:

**[North Carolina General Assembly - Joint Meetings of
House and Senate Appropriations on General
Government](#)**

**Live audio and audio archives of Committee
proceedings may be accessed at:**

<https://www.ncleg.gov/Audio>

Committee Protocol

- House and Senate Chairs rotate chairing each meeting
- Materials may only be distributed to Committee members during meetings with prior approval from the Chairs



Committee Staff

- Nonpartisan, professional staff serving all 170 members
- Fiscal analysts and Drafting attorneys
- Primary responsibilities during Session:
 - Staff Appropriations & Finance Committees
 - Respond to member requests for assistance
- **ALL member requests are CONFIDENTIAL**
- Requests to agencies by legislative staff are NOT confidential unless directly related to a fiscal note

Fiscal Research Division

- Staff Appropriations Committees
 - Six teams of 2 – 4 fiscal analysts
- Assist in development of State budget
- Conduct research & analyses on fiscal and budgetary issues
- Provide presentations on assigned agency budgets and other budgetary issues



Fiscal Research Division

- Prepare Fiscal Analyses of Legislation
 - **Fiscal or Incarceration Note**
 - Multi-year analysis of estimated fiscal impact of a bill on State expenditures, revenue and incarceration rates in State facilities
 - Prepared upon request of bill sponsor or other members
 - Details remain confidential until analysis is approved by Director of Fiscal Research
 - **Fiscal Memo**
 - Same analysis as a Fiscal Note but usually prepared for a draft bill or Proposed Committee Substitute (PCS); Remains confidential after completion

Fiscal Research Division

Fiscal or Incarceration note requests should be e-mailed to:

@Fiscal Note Requests

Include:

- **Requestor's name**
- **Bill number (or draft number for a memo or Proposed Committee Substitute)**
- **Short title**

Fiscal Research Division

FRD website:

sites.ncleg.gov/frd/

- Annotated Conference Committee Reports
- Fiscal Briefs
- Revenue Forecasts
- Staff Listing

Budget Process

- Legal Framework & Basic Budget Terminology
- Executive Branch Process
- Legislative Process



Budget Process: Legal Framework

- Bifurcated Process with 2 Key Laws:

NC State Constitution



NC General Statute Chapter 143C, State Budget Act



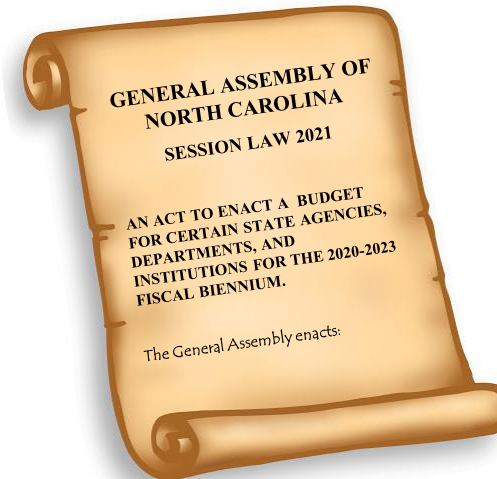
Budget Process: Legal Framework

NC State Constitution

Article I, Section 1, Legislative power.

The legislative power of the State shall be vested in the General Assembly, which shall consist of a Senate and a House of Representatives.

- The General Assembly is the only branch of government vested with the power to enact laws.
- **The State budget is law.**



Budget Process: Legal Framework

NC State Constitution

Article V, Section 7, Drawing public money.

(1) State treasury. No money shall be drawn from the State treasury but in consequence of appropriations made by law,...

“is hereby appropriated...”

“...there is appropriated...”

Budget Process: Legal Framework

NC General Statutes

§ 143C-1-2. Appropriations: constitutional requirement; reversions.

“(a) Appropriation Required to Withdraw State Funds From the State Treasury. – In accordance with Section 7 of Article V of the North Carolina Constitution, ***no money shall be drawn from the State treasury but in consequence of appropriations made by law.*** A law enacted by the General Assembly that expressly appropriates funds from the State treasury is an appropriation; however, an enactment by the General Assembly that describes the purpose of a fund, authorizes the use of funds, allows the use of funds, or specifies how funds may be expended, is not an appropriation.”

Budget Process: Legal Framework

- General Assembly alone controls the purse strings of the State Government

***The “power of the purse”
is exclusively delegated
to the General Assembly.***



- One of the key ways the legislature influences public policy.

Budget Process: Legal Framework

NC State Constitution

Article III, Section 5, Duties of Governor.

(3) Budget. The Governor shall prepare and recommend to the General Assembly a comprehensive budget...”

The Constitution is silent on the General Assembly’s response to the Governor’s Recommended Budget



Budget Process: Legal Framework

NC General Statutes

Chapter 143C, State Budget Act

Builds on the State Constitution to set forth the requirements for the **Governor's** recommended budget

- G.S. 143C-2-1 designates the Governor, “Director of the Budget”
- 2 key requirements



Budget Process: Legal Framework

NC General Statutes

➤ G.S. 143C-3-5(d) Expenditure of State Funds:

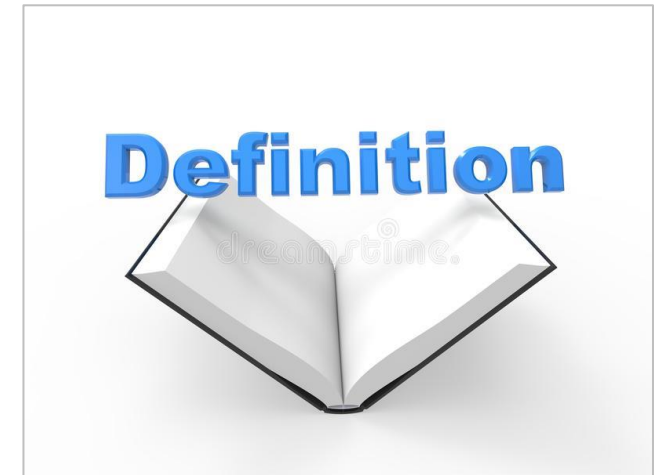
“Funds Included in Budget. – Consistent with requirements of the North Carolina Constitution, Article 5, Section 7(1), the Governor's Recommended State Budget, together with the Recommended Base Budget and Recommended Capital Improvements Budget Support Document, **shall include recommended expenditures of State funds from all Governmental and Proprietary Funds**, as those funds are described in G.S. 143C-1-3,…”

Budget Process: Legal Framework

NC General Statutes

➤ G.S. 143C-1-1 defines State funds:

“(25) State funds. – Any moneys including federal funds deposited in the State treasury except moneys deposited in a trust fund or agency fund as described in G.S. 143C-1-3.”

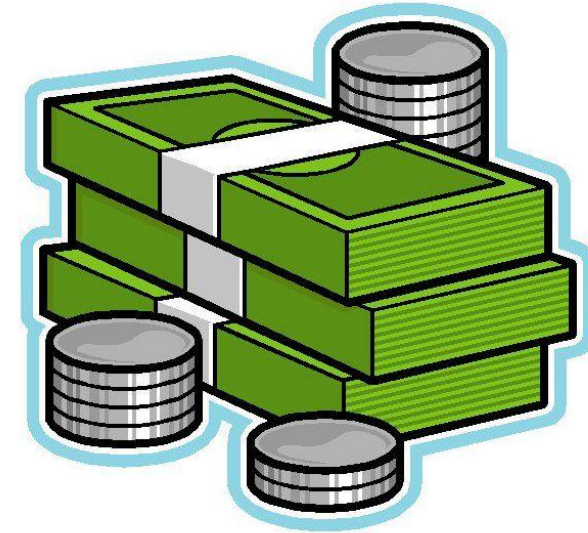


Budget Process: Legal Framework

NC General Statutes

➤ G.S. 143C-1-1(25) **State funds:**

1. Agency fees
2. Federal funds
3. Grants
4. Legal settlements
5. Cash balances (if proposed for use)
6. Any other agency receipts



Budget Process: Legal Framework

NC General Statutes

➤ Chapter 143C, Article 3:

Requires all recommended expenditures, regardless of the source of funds, to be included in the Governor's recommended State budget.

Budget Process: Legal Framework

NC General Statutes

➤ G.S. 143C-3-5(d) “all governmental and proprietary funds...” includes:

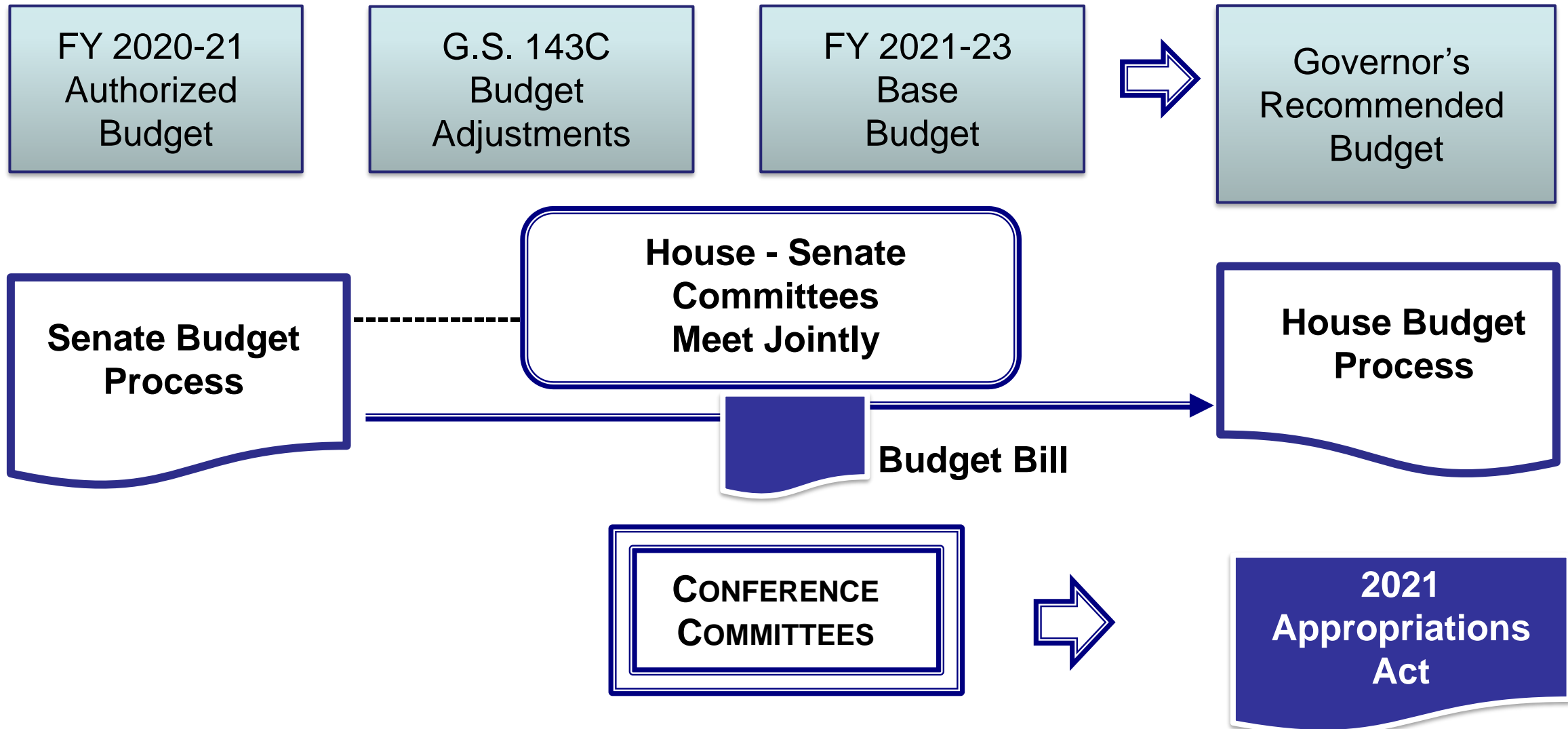
1. General Fund (agency operating budgets)
2. Capital Funds
3. Special Revenue Funds (Insurance Regulatory Fund, Highway Fund (Dept. of Transportation))
4. Proprietary Funds (such as Motor Fleet and Lottery Fund)

Budget Process: Legal Framework

Key Takeaways

1. All **State funds** includes taxes, fees, grants, federal funds, and other agency receipts (G.S. 143C-1-1(25))
2. Unless otherwise exempt or stipulated by State law:
 - All **State funds** must be deposited into the State Treasury (G.S. 147-76.1)
 - All State funds must be included in the State Budget (G.S. 143C-3-5; Appropriations Act)
3. In order to spend State funds, the **General Assembly must enact a law** appropriating funds (State Constitution & State Budget Act)

2021 Budget - Appropriations Process



Long Session Budget Contingency

What happens if no new budget is enacted before the beginning of the subsequent fiscal year?

- G.S. 143C 5-4 is triggered
- S.L. 2017-5 established the State's continuing budget authority; often referred to as the "CR"
- Authorizes and appropriates the funds to allow State agencies to continue operations at the prior fiscal year's level of recurring appropriations
- Unless otherwise specified in State law, all nonrecurring spending authority expires

Frequently Used Budgeting and Appropriations Terms

Frequently Used Budgeting Terms

1. **Base Budget** - G.S. 143C-1-1(d)(1c)

- Previous year's Authorized budget
- Nonrecurring reductions or increases removed
- May also include adjustments for:
 - Annualization of programs
 - Federal payroll tax changes
 - Contracted lease rate increases
 - Receipt projections
 - Reconciliation of intra- and intergovernmental transfers

Frequently Used Budgeting Terms

2. Certified Budget: The budget enacted by the General Assembly, along with funds appropriated to operating reserves to be allocated to agencies.

3. Authorized Budget¹: The certified budget adjusted to reflect:

- Line-item reallocations of existing funds
- Use of new receipts

¹G. S. 143C-6-4 authorizes certain adjustments to the enacted budget; all budget adjustments that increase total requirements must be approved by the Office of State Budget and Management (OSBM).

Frequently Used Budgeting Terms

4. Total Requirements - The total amount of funds appropriated for a budget regardless of the source of funds.

5. Departmental Receipts - Fees, licenses, federal funds, tuition, and other funds generated or collected by State agencies that are applied to the cost of a program as well as funds carried forward from previous years.

6. Net General Fund Appropriation – The amount of funds appropriated to support the total requirements for an agency, division, items, etc. Net appropriations are derived from General Fund general purpose revenue such as income and sales tax, investment income, etc.

**Total Requirements – Departmental Receipts
= Net General Fund Appropriation**

Frequently Used Budgeting Terms

7. Budget Code: A five-digit code assigned to identify the type of Fund (General Fund, Highway Fund, etc.) in which a budget resides in the State budget.

Example: Department of Revenue (DOR) General Fund operating budget code is **14700**

8. Fund Code: A four-digit subset of the Budget Code used to identify the funds appropriated for a specific purpose (division or program) within an agency.

Example: DOR – Administration is 14700-**1600**

Frequently Used Budgeting Terms

9. Reversions: the unexpended balance of an appropriation is said to "revert" to the fund it was appropriated from. Absent a State statute to the contrary, an appropriation is for a single fiscal year; reversions become part of the Unappropriated Balance and are available for future appropriation at the close of that year.

Frequently Used Appropriations Terms

10. Committee Report (Money Report): A compilation of all legislative adjustments made to the Governor's Recommended Base Budget. The Committee Report lists each legislative adjustment, provides a brief description along with guidance on specific items or explicit legislative intent, is used to construe the intent of the appropriations act (G.S. 143C-5-5), and is printed as part of the session laws (per annual appropriations acts).

Frequently Used Appropriations Terms

11. Special Provisions: Appropriations bills contain hundreds of pages of special provisions that impose conditions and set forth legislative expectations that govern the expenditure of funds. Special provisions have the force of law and prevail if an item in the Committee Report is in conflict with a provision (G.S. 143C-5-5). Special provisions may also amend substantive law.

Contact Information

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